# REDUCING FIXED AND OPERATING COSTS

An extract from Our Plan for the Future 2005-2009

## We intend to grow the business without a corresponding increase in operating costs, and all our business areas will benefit from a reduction in fixed costs.

### REDUCING FIXED COSTS

We will:

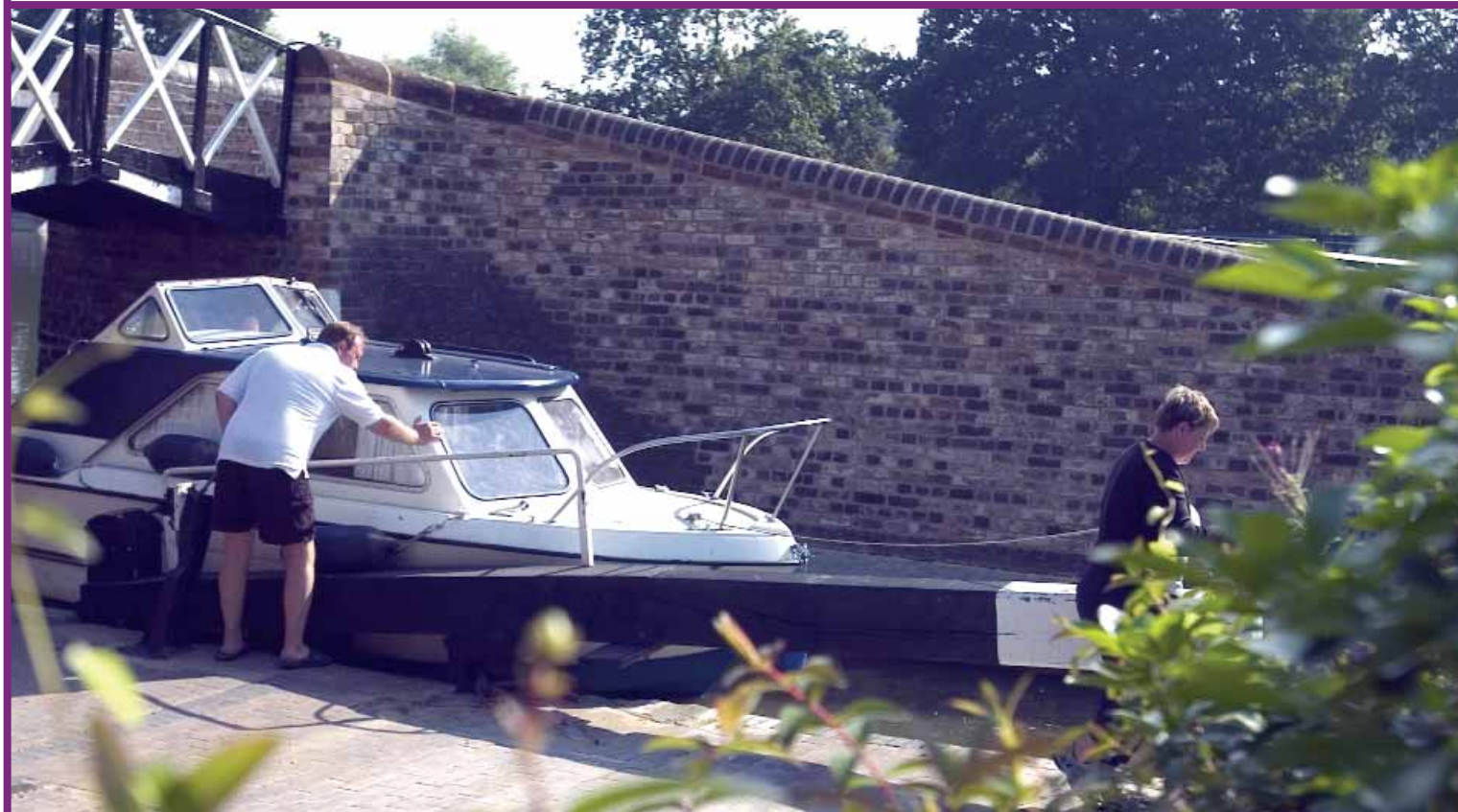
- continue to identify functions which would best sit within our Shared Service Centre, which was established in 2004 to perform all our shared finance and administration processes. We aim to make a £500,000 saving from this each year
- minimise occupancy of our office space in a way which doesn't compromise our customer service aims

### MINIMISING OPERATING COSTS

We will:

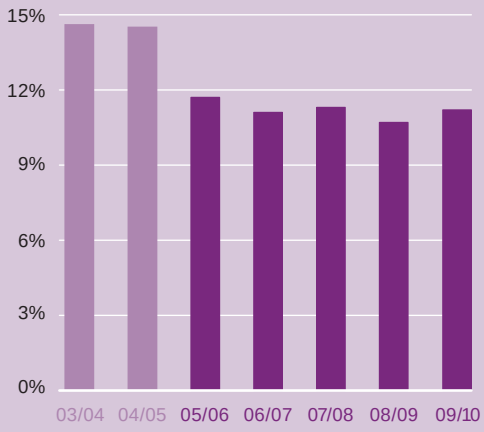
- achieve significant savings by using BW Group buying power to procure cheaper goods and services, and develop electronic procurement to reduce transaction costs
- continue to develop the best or 'model' way of working for our ten waterway units, using our North West waterway unit as a pilot. Once established, we will roll out this model across the business
- reduce our spending on contracts and materials (currently around £60 million each year) through better buying, improving our processes, value engineering and selective outsourcing

Reducing our fixed and operating costs enables us to spend a larger proportion of our income on the waterways so that boaters, like these at Kingswood, where the Grand Union Canal meets the Stratford-upon-Avon Canal, can enjoy a better experience. ▼



| Fixed and Operating Costs Milestones | Year |
|---|---|
| Electronic Procurement Phase I in place | 2005 |
| Shared services extended to BW London and BW Scotland | 2005 |
| Savings £0.3m achieved against baseline costs | 2006 |
| Close all offices no longer required for operational reasons | 2006 |
| Achieve like for like procurement savings of £1m p.a. compared to 2004/05 | 2007 |
| All relevant processes in Shared Services | 2007 |
| Electronic procurement Phase II in place | 2007 |
| Achieve like for like procurement savings of £2m p.a. compared to 2004/05 | 2009 |

## Fixed and Operating as a percentage of total expenditure




If you like to know more about how our plans could affect you, please visit our website at www.britishwaterways.co.uk/plan